

# MONTHLY REVENUE REPORT

## November 2008

Michigan's General Fund and School Aid Fund taxes generated \$1.62 billion in November, which was down 12.8% from last year's level. This sharp decline overstates the true weakness in November's tax collections because noneconomic factors negatively influenced the receipts for several of these taxes, including the sales, use, insurance, State education, single business, and Michigan business taxes. The impacts of these noneconomic factors were largely anticipated and were therefore reflected in the November estimates for these taxes. As a result, while November tax collections were down sharply from last year's level, they were down only about \$10.0 million from the estimated revenue target for November, which is based on the consensus revenue estimates adopted for FY 2008-09 in May 2008. November tax collections represent the first month of revenue for FY 2008-09, because under accrual accounting, most of October tax revenue is included in FY 2007-08 revenue.

Income tax revenue totaled \$595.2 million in November, representing an increase of 5.2% from last year's level. Gross income tax collections (withholding, quarterly, and annual payments) topped last year's level by 4.4% and refunds paid to taxpayers declined 19.0% from the year-ago level. This relatively strong growth in income tax collections is not supported by recent developments in employment and earnings, and therefore probably reflects an artificial weakness in November 2007 income tax collections due to the lagged implementation of the increase in the tax rate from 3.9% to 4.35% on the part of some businesses.

Sales tax receipts totaled \$465.2 million in November, which was down 14.5% from last year's level. This steep decline was due in part to the fact that November ended on a weekend, which pushed some sales tax revenue into December; however, this noneconomic factor only explains about one-third of the decline. The remaining decline most likely reflects weakness in economic activity. For example, sales tax receipts generated by motor vehicle transactions totaled \$47.4 million in November, which was down 10.7% from last year's level. This marked the lowest level for motor vehicle sales tax collections during the month of November since 1993.

Michigan Business Tax collections totaled \$55.2 million in November, while the repealed Single Business Tax generated only \$8.0 million. The combined collections from these business taxes totaled \$63.2 million, which was down 38.2% from the \$102.2 million collected from the Single Business Tax in November 2007. The major reason for this sharp decline is that the due date for quarterly payments has been changed under the new Michigan Business Tax. This change in the quarterly payment schedule is also the reason for the dramatic decline in insurance tax revenue from \$22.2 million in November 2007 to \$0.8 million in November 2008.

State education property and real estate transfer tax collections were both down sharply in November, but for different reasons. State education tax revenue totaled \$209.0 million in November, which was down 38.3% from the \$338.9 million collected last year. State education tax receipts were up over 17.0% in October, so the decline in November most likely reflects an acceleration in the timing of tax collections from November to October. Real estate transfer tax receipts fell 28.8% from \$19.1 million in November 2007 to \$13.6 million in November 2008. Monthly real estate transfer tax collections have been down consistently, so the sharp decline in November undoubtedly reflects the ongoing weakness in the housing market.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for November 2008. Also presented are the consensus revenue estimates for FY 2008-09, which were adopted at the May 16, 2008, Consensus Revenue Estimating Conference.



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**MICHIGAN REVENUE UPDATE  
NOVEMBER 2008  
(dollars in millions)**

Type of Revenue	November Collections		FY 2008-09 to Date <sup>2)</sup>		FY 2008-09 Estimate <sup>3)</sup>	
	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From FY 2007-08
Gross Income Tax	\$610.5	4.4%	\$610.5	4.4%	\$9,055.7	0.6%
Refunds	(15.3)	(19.0)	(15.3)	(19.0)	(2,046.1)	12.1
Net Income Tax	\$595.2	5.2%	\$595.2	5.2%	\$7,009.6	(2.3)%
Sales Tax	465.2	(14.5)	465.2	(14.5)	6,645.0	(0.1)
Motor Vehicles	47.4	(10.7)	47.4	(10.7)	---	---
All Other Sales Tax	417.8	(14.9)	417.8	(14.9)	---	---
Use Tax	105.2	(3.0)	105.2	(3.0)	1,316.0	(1.6)
Tobacco Taxes	91.7	29.5	91.7	29.5	1,058.7	(2.1)
Single Business Tax	8.0	(92.1)	8.0	(92.1)	0.0	(100.0)
Michigan Business Tax	55.2	0.0	55.2	0.0	2,660.6	46.5
Insurance Tax	0.8	(96.4)	0.8	(96.4)	260.0	6.6
State Education Property Tax	209.0	(38.3)	209.0	(38.3)	2,015.5	(0.6)
Real Estate Transfer Tax	13.6	(28.8)	13.6	(28.8)	177.0	(6.3)
Casino Wagering Tax <sup>4)</sup>	9.5	(19.5)	9.5	(19.5)	118.6	(15.3)
Oil & Gas Severance Tax	5.1	(33.8)	5.1	(33.8)	83.0	(3.5)
Other Taxes <sup>5)</sup>	59.8	(6.5)	59.8	(6.5)	375.4	(0.6)
Total	\$1,618.3	(12.8)%	\$1,618.3	5.3%	\$21,719.4	0.2%
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$178.0	(17.7)%	\$383.7	(2.5)%	\$2,207.3	(0.2)%
Net to School Aid Fund <sup>4)</sup>	\$ 53.5	(22.9)%	\$120.0	(5.6)%	\$ 747.6	(0.2)%

1) Total collections are unadjusted cash collections unless otherwise noted.

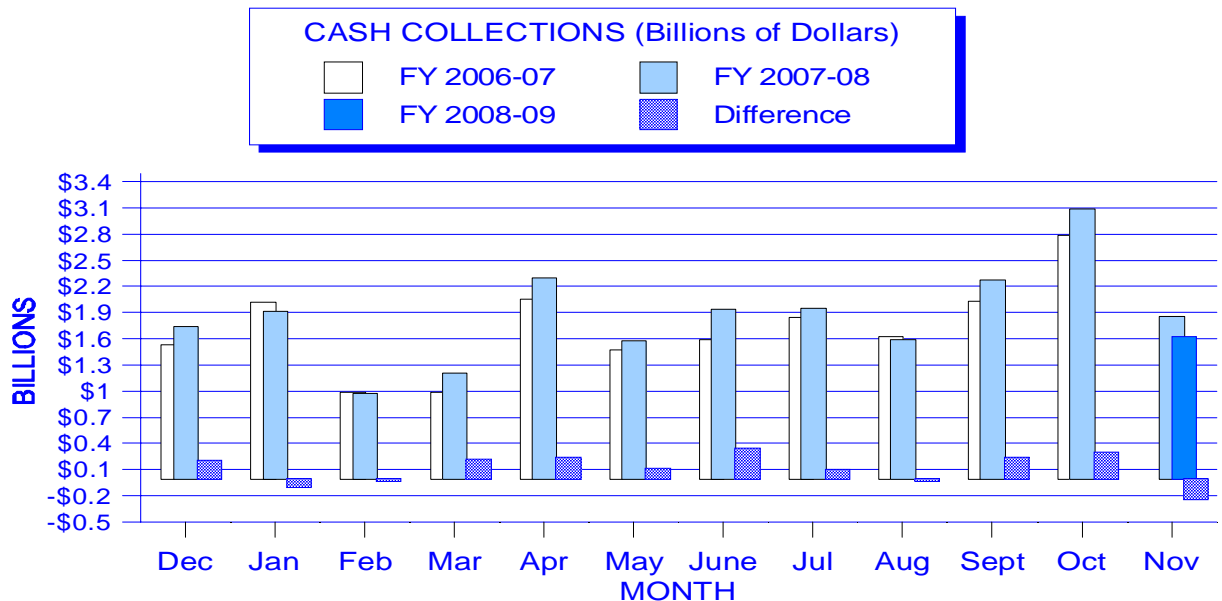
2) FY 2008-09 year-to-date collections begin with November 2008 collections to reflect accrual accounting.

3) Consensus revenue estimates adopted at the May 16, 2008, Consensus Revenue Estimating Conference.

4) Lottery and casino revenue is not accrued, so FY 2008-09 collections will include October 2008 to September 2009.

5) Other Taxes include beer, wine, liquor, industrial facilities, utility property, and estate taxes, and penalties and interest.

**Actual Revenue Collections for Major State Taxes\*  
December 2006 to November 2008**



\*Comparison of actual collections. Major taxes include the beer, casino wagering, estate, income, industrial facilities, insurance retaliatory, liquor, MBT, oil & gas severance, real estate transfer, sales, SBT, State education property, tobacco (cigarette & other tobacco products), use, utility property, and wine taxes, and penalties and interest revenue.